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Hearing Looks Into CIA Role In Tax Probe of Charity Fund

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By Morton Mintz
Staff Reporter

The Central Intelligence Agency continued to channel money through a charitable fund to an undisclosed destination for at least two years after it was told by the Internal Revenue Service that the fund was being investigated for possible abuse of its tax-exempt status.

This was brought out yesterday at a hearing of a House Select Small Business subcommittee. The chairman, Rep. Wright Patman (D-Tex.), said that the investigation may involve "millions of dollars in tax liabilities."

The tax exemption is still in force while the Internal Revenue Service investigation, which one member of the subcommittee called "interminable," continues. The IRS said it had been handicapped by a shortage of investigators and a surplus of tax matters needing investigating.

Exempt Since 1946

The tax exemption was granted in 1946 to the J. M. Kaplan Fund, Inc., of New York City. Twice in the 1950s, district directors of the Internal Revenue Service recommended that it be revoked. In 1960, after consultation with IRS headquarters in Washington, a third district director recommended that the exemption remain in force.

Patman said he brought up the CIA in "the public interest" and because "I feel that he was unable to find them."

He said that during a hearing on Aug. 10 he granted a request made by the Commissioner of Internal Revenue, Bertrand M. Harding, and his assistant, Mitchell Rogovin, for a private consultation.

Pipeline for CIA

Patman said Rogovin told him that the Kaplan Fund has been operating as a CIA conduit, and that he would rather not discuss the matter for the public record.

The aide indicated, Patman continued, that the association with CIA "was the reason for the lack of action on the part of the IRS."

He and a member of the subcommittee, Rep. James Roosevelt (D-Calif.), said that CIA had failed to supply reliable information on the matter.

In this circumstance, Roosevelt told newsmen, Congress has a right to know if a man is using CIA funds for the country's interest or his own.

Agency Remains Silent

CIA refused to comment. Kaplan, the financier for whom the fund is named, could not be reached. An aide said there would be no comment.

The stated purpose of the fund is "to strengthen democracy at home and abroad . . ."

At one point, Patman turned over to Harding copies of the Kaplan Fund's tax returns for 1961, 1962 and 1963 and asked the Commissioner to tell him where the CIA contributions appeared. Harding said he was unable to find them.

Following this, Patman gave the Commissioner a list of contributions made to the Kaplan Fund during the same years—1961 through 1963—by eight organizations. The donations totaled \$923,950.

"The addresses of these donors are not shown on the Fund's tax returns, despite

the fact that such information is required by Treasury regulations," Patman said.

The donors were listed as the Gotham Foundation, and the Michigan, Andrew Hamilton, Borden, Price, Edsel, Beacon and Kentfield Funds.

Congressional Questions

Rogovin, who at present is the only person in Internal Revenue authorized to deal with CIA, urged that answers to a list of questions advanced by Patman and Roosevelt be taken up privately.

The Texan's questions dealt with such subjects as why CIA had chosen the Kaplan Fund as a conduit, how many other tax-exempt organizations may be conduits, just when CIA money went into the Kaplan Fund, and whether the CIA money was "actually disbursed by the Kaplan Fund."

Late in the day, a meeting was held in Patman's office. CIA Deputy Director Lt. Gen. Marshall S. Carter was reportedly among those present.

In a statement afterward, Patman said that he and his colleagues were now convinced that "no matter of interest to the CIA existed."

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